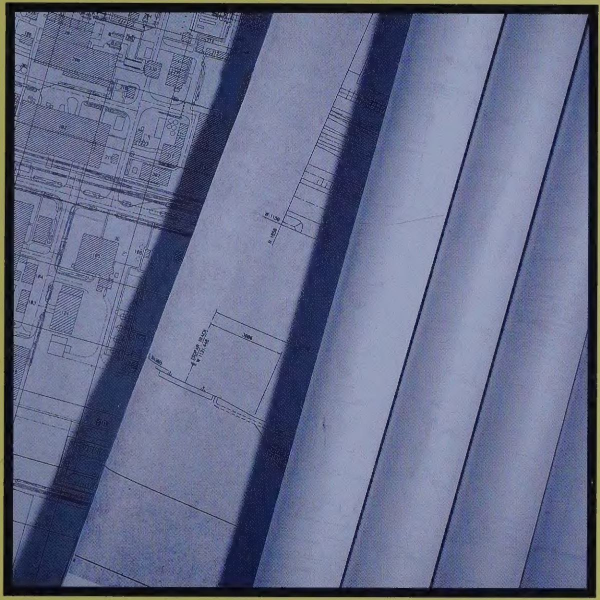


AT Plastics Inc.

EXPANDING TO MEET INTERNATIONAL DEMAND FOR SPECIALTY PLASTICS

1996

ANNUAL REPORT

CORPORATE PROFILE

AT Plastics Inc. develops and manufactures specialty plastics raw materials and fabricated products for international niche markets. These markets are less susceptible to cyclical price fluctuations, and provide consistently higher margins than commodity markets. The expansion initiatives undertaken in 1996 position AT Plastics for international growth in each of its businesses – Polymers, Films and Packaging.

AT Plastics' shares trade on The Toronto Stock Exchange ("ATP") and the American Stock Exchange ("ATJ").

MISSION STATEMENT

"AT Plastics' mission is to be a profitable, growing, environmentally responsible, international manufacturer of high-quality specialty plastics, deploying advanced technologies and innovative solutions to meet the needs of its valued customers."

CORE COMPETENCIES

Technological Focus
Ability to be a fast, focused and innovative integrator of advanced technologies and skills in all business processes, to provide quality, value-added specialty products.

Committed Employees
Ability to develop and maintain a flexible and highly-motivated workforce, known for its innovation, service to customers and dedication to continuous improvement.

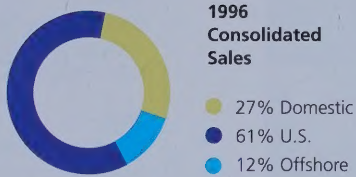
Customer Responsiveness
Ability to be a perceptive and responsive organization to customers' evolving needs and requirements.

Except for the historical information contained herein, the matters discussed in this annual report are forward-looking statements which involve risks and uncertainties, including but not limited to selling prices and raw material costs, to economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices, and other factors discussed in the Company's filings with the Securities and Exchange Commission and Canadian regulatory authorities.

Contents

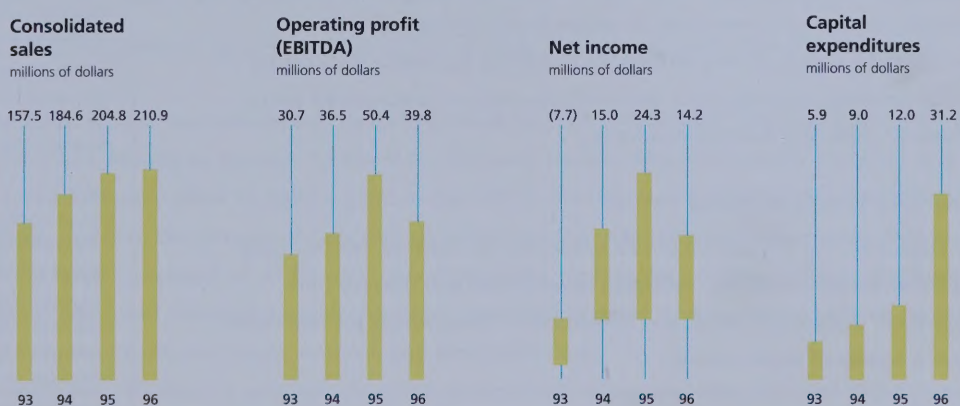
OPERATING HIGHLIGHTS

- Approved a five-part, $165 million expansion program and began implementation of projects which will almost double sales capacity by 1999 based on 1995 average selling prices and product mix.
- Flexet™ compounds approved by NSF International, the national listing body for potable household water pipe in the United States.
- PowerGuard™ compounds received approval from a number of power utilities in Canada and the United States.
- ISO 9002 certification received for Edmonton Films facility, building on the same certification for the Edmonton Polymers facility.
- AT Plastics common shares listed on the American Stock Exchange under the stock symbol ATJ.



FINANCIAL HIGHLIGHTS

- Reported record consolidated sales of $210.9 million.
- Achieved average 18.2% per year return on average equity outstanding over the period 1995 to 1996.
- Generated cash flow from operations of $2.13 per share, before changes in working capital.
- Raised $29.9 million for expansion program through an equity issue completed in April 1996.



Subsequent event

- Negotiated a private placement of $70 million 12-year senior secured debentures and a $75 million five-year committed revolving secured term bank facility to complete the financing for the expansion program.

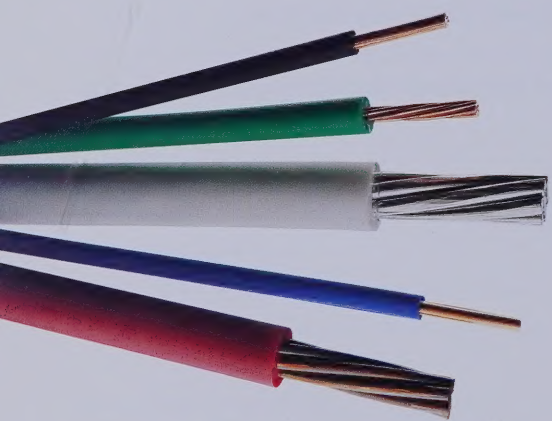
FINANCIAL & OPERATING OBJECTIVES/PERFORMANCE

Financial Objectives	1996 Financial Performance
→ Increase consolidated sales by an average of more than 10% per year over the next five years.	→ Commenced implementation of a plan to increase sales capacity by $190 million (at 1995 selling prices and product mix) by the end of 1998.
→ Achieve a greater than 15% after-tax return on equity on a rolling five year basis.	→ Achieved an average 18.2% per year return on average equity over the period 1995-96.
→ Reduce total debt to 40% of total capitalization.	→ Reduced Debt to Capitalization to 38.4% as at December 31, 1996. This ratio is expected to increase during implementation of the expansion plans.

Operating Objectives	1996 Operating Performance
→ Maintain focus as a manufacturer of both specialty plastics raw materials and fabricated products operating in international niche markets.	→ Approved facility for specialty compounds, providing a manufacturing base in the U.S. for the Polymers business.
→ Strengthen the technological and competitive position of the Company through strategic alliances.	→ Continued to develop alliances with key customers and suppliers to strengthen development of new and improved products and manufacturing processes.
→ Increase production capacity to support the Company's growing sales, by expanding existing facilities and developing alliances with other companies and making appropriate acquisitions.	→ Decided to expand the Edmonton specialty copolymers plant and build a facility in the U.S. to manufacture specialty compounds; implementation now underway.
→ Provide employees with a safe working environment in which they are encouraged to use their abilities and resources to achieve Company and personal objectives.	→ Revitalized goal setting and performance review process, and implemented for 1997 a variable compensation program for employees to align personal and business objectives. → Established a corporate safety team responding to the President and C.E.O. to develop recommendations that will help assure achievement of the Company's safety objectives.

AT PLASTICS AT A GLANCE

The first commercial sales of AT Plastics' tree retardant proprietary power cable insulation compound occurred early in 1997. This advanced insulation compound expands the Company's range of power cable insulation materials.



Sales of heavy-duty shipping sacks using oriented film technology were expanded to include products for chemicals, explosives and fertilizers.

AT Plastics has introduced a new improved silage bag based on a special film product developed by its Research and Technology team.

The Company has three strategic and complementary businesses:

The Polymers Business

The Polymers business concentrates on the development and supply of specialty resins and compounds, in pellet form, which are used to manufacture a wide variety of plastics products, including packaging and laminating products, wire and cable insulation, automotive parts, adhesives, pipe and medical products.

The Films Business

The Films business focuses on products for the agricultural, horticultural and construction industries, including greenhouse and nursery films, silage bags, agricultural films and construction films, which are marketed under a family of trade names.

The Packaging Business

The Packaging business manufactures specialty industrial shipping sacks for a wide range of industrial products, high performance films for courier pouches, and barrier films for food products such as breakfast cereals.

1989
Management-led buyout of C-I-L's polymers, films and packaging businesses, renamed AT Plastics Inc.

AT Plastics licenses technology from Mitsubishi Chemical Co. to produce Aqua-Link® ethylene vinyl silane copolymers.

1990
Low molecular weight polymers introduced for adhesives applications.

Expanded greenhouse and nursery films and silage bag sales in Australia and New Zealand.

1991
Doubled capacity to produce high VA content EVA copolymers.

1992
Completed copolymers expansion project in Edmonton, Alberta.

1993
Established master-roll rewind facility for greenhouse films in Waterloo, Ontario.

1994
Deleveraged the Company's balance sheet through an initial public offering of common shares.

Acquired outstanding shares of Alberta Ag–Industries Ltd.

Installed commercial-scale film orienter to implement the Company's patented oriented films technology.

1995
Introduced new specialty compounds for use in medium voltage cable insulation.

Approved $20 million expansion for Films and Packaging, the Company's first plant outside Canada.

Launched Lastic-Tube® for silage storage.

1996
Announced $120 million expansion of polymers plant and $25 million expansion of specialty compounds plant.

In 1996, AT Plastics completed plans to increase its sales capacity by the end of 1998 under a five-part, $165 million expansion program. By the year 2000, it will have new facilities outside Canada; a significantly expanded specialty compounds operation; and increased sales in the U.S., South America and the Pacific Rim.

AT Plastics has offices and/or manufacturing plants in Canada located in Brampton, Ontario; Edmonton and Westlock, Alberta; and Montreal, Quebec. In the U.S., locations include Charlotte, North Carolina; and St. Louis, Missouri. The Company plans to build a plant in the U.S. to manufacture industrial shipping sacks and performance films, and is in the process of selecting an additional U.S. site for a specialty compounds plant.

Polymers is the largest segment of AT Plastics' overall business, representing approximately two-thirds of consolidated sales. Films and Packaging represent about one-third of sales. The Company sells its products internationally including North and South America and the Pacific Rim.

Of its 600 employees, AT Plastics employs about 50 professional engineers, scientists and technicians in research and technology at its Plastics Technical Centre and in its manufacturing plants. The Company carries on its own research activities and has developed strategic alliances with universities and other organizations to further its market driven research and technology programs.

"With the expansion program, our Polymers, Films and Packaging businesses will have the production capacity to grow with our international market opportunities."

J.G. (GEOFF) CLARKE
President & Chief Executive Officer

In 1996, AT Plastics addressed the need to expand capacity in each of its businesses to meet the growing demand of international customers. We completed plans to add sales capacity of about $190 million (at 1995 average selling prices and product mix) by the end of 1998 in a five-part, $165 million expansion program. We completed an equity issue and just recently negotiated a debt financing to help fund this program.

This expansion program is a very significant development for your company. Since going public in 1994, demand for our products has grown as customers have grown, and as we have developed new products and penetrated international markets. We have been operating our ethylene copolymer plant in Edmonton at capacity to provide a range of specialty polymers and compounds to serve a wide variety of markets. Our films and packaging businesses have also hit capacity constraints.

With this expansion program, each of the Polymers, Films and Packaging businesses will have the production capacity to grow with our international market opportunities. The expansions will effectively lower our costs through higher productivity, and enable us to increase our presence in North America, South America and the Pacific Rim.

Fiscal 1997 and 1998 will be transition years as different stages of our expansion program come on stream and as we evolve into a much larger company. We expect to have higher international sales and eventually a higher proportion of specialty and value-added products. In the short term, sales should increase as new capacity comes on stream, but margins will be affected by expansion costs in advance of related revenues. Once the new capacity is in place, we expect higher sales and enhanced profitability.

We have met our growth targets to date and this expansion should enable this growth to continue. We envision sales of about $400 million in the year 2000 and a five-year average return on equity of 15%.

The largest component of the expansion program is the 70% increase in capacity of our ethylene copolymer plant in Edmonton, scheduled for completion in the fall of 1998. This facility will incorporate extensive proprietary technology based on the Company's manufacturing experience and is designed to produce a wide range of medium and high EVA copolymers. It is anticipated that the facility can be expanded with the expenditure of modest additional capital as demand increases. The expansion is supported by a new 15-year "cost of manufacture" related ethylene contract which extends our low-cost ethylene supply contract. We have also provided for additional ethylene on similar terms to support increasing demand. Other expansions include films, packaging and specialty compounds operations, at locations in both Canada and the U.S.

While a good part of our focus this past year was on the Company's expansion program, we had a number of other notable achievements.

Q: What is your growth strategy?

A: We were operating at full capacity when we went public in 1994, and have managed capacity restraints by emphasizing specialty plastics and increasing productivity in our films and packaging operations. With our growth objectives well defined, we have provided for increasing sales first by contracting future ethylene supplies at attractive prices, and second by undertaking a five-part, $165 million expansion program encompassing all three businesses to be phased in during 1997-98.

In October, our Flexet™ compounds were approved by NSF International, the national listing body for potable household water pipe in the United States. Sales of these products for both plumbing and radiant heating pipe are expected to accelerate in 1997 as a result of their growing acceptance in factory built and mobile homes.

The Company's proprietary tree-retardant medium voltage power cable insulation compound, which is sold under the PowerGuard™ trademark, was approved by a number of power utilities in Canada and the United States and first commercial sales were recently obtained.

ISO 9002 certification for our Films facility in Edmonton recognized the quality of our operations on an international scale and provides the benefit of ready acceptance in the market place. This builds on the ISO 9002 certification of our Edmonton Polymers facility which is now seeking ISO 9001 certification.

Financial Review

For the year, consolidated sales were $210.9 million, 3% greater than consolidated sales of $204.8 million in 1995. Net income was $14.2 million or $0.98 per share, compared with $24.3 million, or $1.92 per share, reported in 1995. More than half of the variance from last year reflected the higher tax rate recorded in 1996. On a fully taxed basis, 1995 net income would have been $17.9 million or $1.41 per share.

While the Company benefited from higher volume in the Polymers business, the effects of unusual incidents at a raw material supplier and at our Edmonton plant raised operating costs and reduced product available for sale. In Films and Packaging, volume was up but margins were down mainly due to delays in passing through commodity resin price increases earlier in the year. Overall, operating profit declined year-over-year, but we still achieved our second best performance ever in 1996.

Part of the funding for the expansion program came from a $30 million equity issue completed in April 1996 – and was accompanied by an American Stock Exchange listing. Documentation is nearing completion for additional capital through a private placement of $70 million, 12-year senior debentures and a five year $75 million committed revolving bank facility.

Sales & Marketing

Despite operational difficulties, we continued to make important sales and mix advances in each of our three strategic businesses which should support our expansion plans.

In our Polymers business, we continued to increase our international sales of medium and high EVA copolymers and Aqua-Link® ethylene vinyl silane (EVS) copolymers to the adhesives, laminating and wire and cable markets. Sales of these products accounted for about 40% of Polymers' sales compared to 4% in 1989.

Sales of Aqua-Link® EVS copolymers, used in the insulation of low voltage electrical wire, grew significantly in 1996 compared to 1995. Overall, Aqua-Link® copolymers should continue to grow because they enable customers to achieve

Q: What is driving your expansion program?

A: The increasing international demand we have experienced for our innovative, value-added specialty plastics products is driving our expansion program. Demand for our products has grown as our customers have grown, and as we have developed new products and penetrated new markets.

significant productivity gains and lower manufacturing costs compared to alternative technologies.

In our Films business, we extended our sales into South America, particularly in Argentina.

In our Packaging business, we have expanded sales of Milpac® heavy-duty shipping sacks utilizing our oriented film technology to include products for polymers, chemicals, explosives, and fertilizers. We also increased sales of performance films for cereal packaging.

Research and Technology

Our R&T professionals and sales force work closely together to ensure that we develop products that meet customers' requirements. Our new or significantly improved products include Flexet™ specialty compounds, Super Dura-Film® greenhouse film, and our PowerGuard™ range of compounds which includes our advanced tree retardant technology. These products help to expand our markets and strengthen our competitive position. We remain committed to developing proprietary technologies and fostering a high level of innovation through our skilled people, modern manufacturing facilities and sophisticated research equipment.

Outlook

There is increasing worldwide demand for innovative, value-added specialty products that satisfy the evolving needs and requirements of businesses. AT Plastics has the technological resources to develop and supply niche products, and our reputation for quality products and customer responsiveness is growing internationally.

The increasing demand for our products supports our expansion program, and by the year 2000 AT Plastics is expected to be a much larger and more international company. We will have facilities outside Canada; a significantly expanded specialty compounds operation; and increased sales in the U.S., South America and the Pacific Rim.

Acknowledgments

We have much to look forward to in the next few years as we proceed with our expansion plans. On behalf of AT Plastics' Board of Directors and management, I would like to thank our employees for their contributions to our success, and our shareholders for their continuing support.

During the year, we welcomed Allan Scott as a new Director of the Company, replacing Egerton King. We again thank Egerton King for his significant contribution to the progress of the Company.

JG Clarke

J.G. (GEOFF) CLARKE
President & Chief Executive Officer

March 12, 1997

FILMS & PACKAGING EXPANSION
$40 million increase in sales capacity

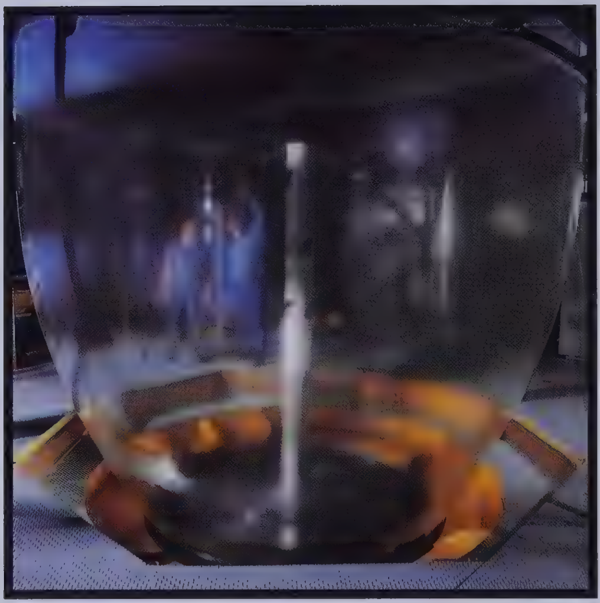
CALENDAR OF SALES CAPACITY EXPANSION PLANS

AT Plastics is implementing plans during the period of 1997-1998 which should almost double sales capacity to meet the growing demand for specialty plastics from customers in domestic and international markets. By 1999, the Company should have the capacity to support sales of approximately $400 million based on all facilities running at full capacity and 1995 average selling prices and product mix. However, these objectives are unlikely to be achieved during the first years of operation.

CURRENT SALES YEAR ENDED DECEMBER 31, 1996
$210.9 million

COPOLYMERS EXPANSION
$100 million increase in sales capacity

SPECIALTY COMPOUNDS EXPANSION
$50 million increase in sales capacity



ABOVE
LARGE MULTI-LAYER FILM EXTRUSION LINE IN THE EDMONTON PLANT

FILMS

WITH START-UP OF THIS EXPANSION, AT PLASTICS WILL INCREASE ITS FILMS CAPACITY BY APPROXIMATELY 30%. SPECIALTY FILM PRODUCTS INCLUDE SUPER DURA-FILM® GREENHOUSE FILM AND SILAGE-TUBES FOR AGRICULTURAL AND HORTICULTURAL FILMS MARKETS.

FEBRUARY/MARCH

1997

ABOVE
INSTALLATION OF RADIANT HEATING PIPE MANUFACTURED
FROM FLEXET™ SPECIALTY COMPOUND

[PHASE 1]

SPECIALTY COMPOUNDS

THIS FACILITY LOCATED IN ILLINOIS WILL MANUFACTURE FLEXET™ VINYL SILANE COPOLYMER COMPOUNDS FOR THE HOUSEHOLD AND RADIANT HEATING PIPE MARKET. THIS PERFORMANCE MATERIAL IS GAINING ACCEPTANCE BY PIPE MANUFACTURERS ACROSS NORTH AMERICA, AND WITH THE RECENT APPROVAL RECEIVED FROM NSF INTERNATIONAL, THE NATIONAL LISTING BODY FOR POTABLE WATER PIPE IN THE UNITED STATES, WE EXPECT DEMAND TO ACCELERATE.

EARLY '97

1997

ABOVE
FILLING MILPAC® SHIPPING SACKS AT THE EDMONTON COPOLYMERS PLANT

PACKAGING

THIS COMPONENT OF THE $20 MILLION FILMS AND PACKAGING EXPANSION, TO BE LOCATED IN THE U.S., WILL ENHANCE AT PLASTICS' ABILITY TO SERVE THE GROWING NEEDS OF PACKAGING CUSTOMERS IN THE NORTH AMERICAN MARKET. THIS FACILITY WILL INITIALLY PRODUCE SHIPPING SACKS AND SHINGLE-WRAP FILM.

FALL '97

1997

ABOVE
MEDIUM VOLTAGE CABLE INSULATED WITH POWERGUARD™
TREE RETARDANT COMPOUND

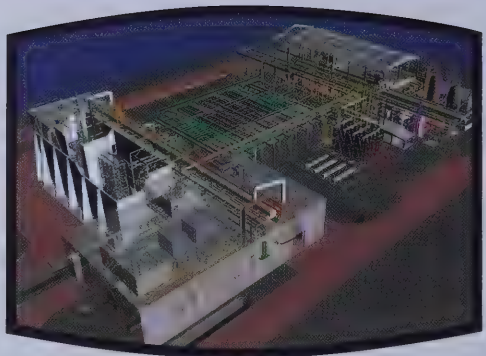
[PHASE 2]

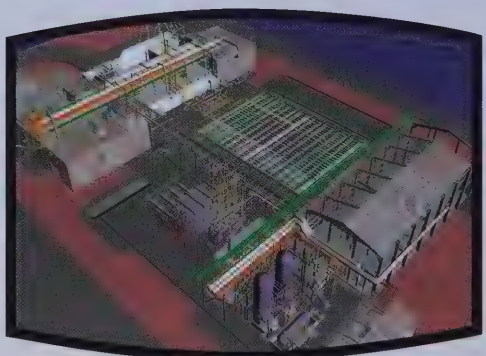
SPECIALTY COMPOUNDS

THIS FACILITY IN THE UNITED STATES WILL EVENTUALLY MANUFACTURE TWO KEY PRODUCTS IN AT PLASTICS' POWERGUARD™ LINE FOR THE WIRE AND CABLE INDUSTRY, AS WELL AS FLEXET™ COMPOUNDS FOR THE PIPE INDUSTRY. WE EXPECT DEMAND FOR THESE NEW HIGH PERFORMANCE PRODUCTS TO ADD TO AT PLASTICS' SALES OF SPECIALTY PRODUCTS.

SUMMER '98

1998





ABOVE
PLANS FOR THE COPOLYMERS EXPANSION IN EDMONTON, ALBERTA

COPOLYMERS

THIS MAJOR EXPANSION IN EDMONTON WILL INCREASE AT PLASTICS' COPOLYMERS PRODUCTION CAPACITY BY 70%, ENABLING IT TO INCREASE SALES OF PRODUCTS FOR PACKAGING, LAMINATING, WIRE AND CABLE, AUTOMOTIVE, ADHESIVES AND MEDICAL MARKETS.

FALL '98

1998

MANAGING GROWTH

AT Plastics has a capable and growing workforce which has been enhanced over the past year in support of its growth plans. In particular, the Company has added resources to research and technology, and formed sales and marketing teams and project teams to implement the major expansion projects. A number of initiatives were introduced to help attract, maintain and motivate employees. An employee incentive plan was established for managerial and sales staff and the Company expects eventually to extend this plan to all employees. The plan is designed to reinforce goal achievement and high performance in an employee empowered culture. Flexible benefit plans were introduced to enable employees to customize a personal benefits package and the Company's retirement savings plan was improved with an increase in the matching contribution to employee savings.

HEALTH & SAFETY AND THE ENVIRONMENT

As a member of the Canadian Plastics Industry Association (CPIA), AT Plastics has helped develop environmental guidelines to which it is firmly committed. The Company is also committed to providing employees with a safe environment and its goal is to prevent accidents, occupational illnesses and injuries. The CPIA guidelines are:

- to produce plastics products which are beneficial to customers and the public, have minimal impact on the environment and optimize the use of natural resources;
- to produce plastics products which are reusable, recyclable, recoverable as feedstock or energy, or non-polluting when retained in landfill;
- to minimize the environmental impact of manufacturing and distribution processes in the air, water and land;
- to provide a safe and healthy workplace for employees;
- to conserve energy in operations;
- to reduce and properly dispose of in-house waste through safe and responsible methods;
- to minimize the packaging used to distribute products;
- to comply with all legal requirements which affect operations and products;
- to be responsive and sensitive to legitimate community concerns; and
- to work in partnership with government and selected organizations to achieve mutual goals.

In response to these guidelines, AT Plastics continues to focus on eliminating or minimizing air and water emissions at all Company sites; conserving energy and reducing in-house waste; and ensuring a safe and healthy workplace for employees.

Tangible examples of the Company's commitment include: (1) a "Best Management Practices" Committee for the Edmonton site to review its progress and to update policies and procedures; (2) a formal "Hazards and Operability Review" of modifications to plant equipment and the process while in the engineering/design stage; (3) Joint Occupational Health and Safety Committees; and (4) extensive employee training.

AT Plastics has implemented a program for the collection of used agricultural film for recycling.

AT Plastics has demonstrated its external commitment: (1) AT Plastics was one of a small group of plastic film producers in Canada who jointly spearheaded the development and growth in recycling post-consumer film in Canada; (2) at its Edmonton site, recycling of solid waste has increased to about 80% for its scrap, paper cartons, pellets and other materials; and (3) the Company purchased a scrap film baler and implemented a program to collect, bale and facilitate recycling of agricultural and horticultural films in the U.S. (see photograph to the right)

The following discussion and analysis for the years ending December 31, 1996 and 1995 should be read in conjunction with the comparative financial statements of the Company included in the annual report.

Results of Operations

Consolidated sales in 1996 increased 3% to $210.9 million, compared with 1995 sales of $204.8 million as demand was strong especially for specialty copolymers and agricultural films. Selling prices for the Company's products were generally lower than in 1995 due to a decline in prices late in 1995.

Sales to the U.S. and offshore markets increased substantially reflecting the growing international nature of the business and represented about 73% of total sales in 1996.

Operating profit (earnings before interest, taxes, depreciation and amortization) was $39.5 million in 1996 as compared to $50.4 million in 1995 as both the Polymers and Films & Packaging businesses experienced a compression in operating profit margins. The reasons for this decline are discussed more fully under the individual business headings.

Net income for the year was $14.2 million, or $0.98 per common share, as compared to $24.3 million, or $1.92 per common share in 1995. This change reflects the lower operating profit and a higher provision for taxes partially offset by lower depreciation and interest costs and the gain on the redemption of the preferred shares. Based on the Company's normal practice of reviewing fixed assets on a regular basis, the useful lives of the assets were revised as appropriate. Lower interest costs reflect the proceeds of the equity issue in April 1996.

Changes in Operating Profit (EBITDA)

(millions of dollars)	**Increase (Decrease) 1996 Compared with 1995**
Lower Polymers Selling Prices and Mix	(11.5)
Lower Films & Packaging Margins*	(2.1)
Higher Sales Volume Polymers	8.9
Higher Sales Volume Films & Packaging	0.3
Higher Ethylene Costs	(1.4)
Higher VA and Other Polymers Raw Materials Costs	(1.3)
Higher Operating Costs Including Delivery	(3.8)
Decrease in Operating Income	(10.9)

* Selling prices less raw material costs (including effect of mix).

Polymers

In 1996, sales of the Polymers business increased 5% to $135.9 million , compared with 1995, while volume increased 14%. In 1995, sales increased 8% and volume decreased 11%.

Average selling prices were lower in 1996 compared to 1995, due to the price decline late in 1995 and a higher level of sales of wide specification product. Prices increased again late in the third quarter of 1996, but not to the same levels as 1995. As expected, prices for the specialty range of products sold by the Polymers business were more stable than those for the commodity resin products.

Sales volume for the Polymers business grew strongly due to favourable economic conditions in its target markets particularly the U.S. and the Pacific Rim. Markets continue to develop for its specialty copolymers particularly in the United States and also in the Asian market. Unfortunately, growth of sales of these products was constrained by available supply. Product available for sale was adversely affected by unusual incidents at the Edmonton polymer plant.

Operating costs for this business increased due to higher costs for ethylene, external compounding and fixed costs. Ethylene costs were higher mainly due to

a planned maintenance shutdown at the "cost of service" supplier which was longer than expected. A similar shutdown is not planned for 1997. The higher level of wide specification material resulted in higher external compounding and repackaging costs. While some progress is being achieved in reducing the level of wide specification material, some problems are equipment related and will not be completely resolved until the copolymer expansion comes on stream in the fall of 1998. This expansion will enhance the Company's capability to produce a number of the more difficult grades required by certain high growth markets. Fixed costs were higher due to the buildup of sales, technical and manufacturing resources ahead of the startup of expansion projects.

Polymers Business

(millions of dollars)	**1996**	1995
Sales	**135.9**	129.8
Operating Profit	**31.7**	40.5

Films & Packaging

Sales for the Films & Packaging business were unchanged from 1995, following an increase of 13% in 1995, reflecting lower selling prices as volume increased 6% from 1995. Unit margins were lower mainly due to delays in recovering rapidly rising raw material costs through selling price increases. Sales of specialty sacks, performance films for food packaging, horticultural and agricultural products increased significantly. Sales of agricultural films to South America continued to grow and distribution channels were expanded. Sales of peat moss sacks were severely affected by weather conditions and inventory carryover from 1995.

Films & Packaging

(millions of dollars)	**1996**	1995*
Sales	**79.1**	79.0
Operating Profit	**7.7**	9.8

* Restated to be consistent with current year's presentation.

Sensitivities of 1997 Operating Profit to Market Conditions

Prices and margins for the Company's products are influenced by market and economic conditions. The following table indicates the sensitivity of operating profit to some of these factors.

(millions of dollars)	Estimated Annual Increase (Decrease) in Operating Profit
Increase of U.S. 1¢/lb in price of EVA copolymers	1.5
Increase of Cdn. 10¢ /GJ in cost of natural gas	(0.5)
Increase of Cdn. 5¢/kg. in cost of vinyl acetate monomer	(0.6)
Increase in Cdn. dollar by U.S. 1¢	(1.5)

In 1996, the Company's average rate for conversion of U.S. dollar sales was $1.3596 Canadian dollars for each U.S. dollar.

Liquidity and Capital Resources

Cash provided from operations before changes in working capital and other liabilities amounted to $30.7 million in 1996, compared with $39.7 million in 1995. Working capital and other liabilities increased by $8.4 million as compared to $11.4 million in 1995. Polymers inventories increased as ethylene swapped in 1994 was returned to the Company in 1996 and inventory was built up to launch sales of Flexet™ pipe compounds.

The Company issued common shares for net proceeds of $29.9 million in April 1996 and redeemed all of its preferred shares at year end. Repayments of $6.8 million on the long-term debt and the capital lease were made during the year.

In 1996, the Company expended approximately $31 million on purchase of fixed assets as implementation of the Company's growth plans accelerated. The level of capital expenditures in 1997 and 1998 is expected to increase to about $120 million and $60 million, respectively, as the Company completes the current phase of its growth strategy. This capital program includes the expansion of the Films & Packaging business announced in 1995 as well as the expansion of the Edmonton copolymer plant and the specialty compounding facilities announced in 1996. At year end, documentation was nearing completion for the issue of $70 million of senior secured 12 year term debentures and a $75 million confirmed secured revolving term bank credit facility. The bank credit facility replaces the existing $25 million bank line of credit.

It is expected that the debt financing along with the common share issue referred to above and internally generated funds will be adequate to meet the Company's cash requirements to the completion of the current expansion program in 1998.

Financial Risk Management

A substantial portion of the Company's revenues are denominated in U.S. dollars and are exposed to fluctuations in the exchange values of the Canadian dollar. It is the Company's current policy to hedge approximately 75% of its net exposure. The Company's debt obligations denominated in U.S. dollars provide a partial hedge against a rising Canadian dollar. In addition, the Company has sold forward U.S. $59.5 million for delivery in 1997 at $1.3614 Cdn. and U.S. $67 million for delivery in 1998 at $1.3616 Cdn. and $26.5 million for delivery in the first four months of 1999 at $1.3701.

Outlook

The economic outlook for the plastics industry is favourable for at least the first three quarters of 1997. Substantial new capacity for ethylene and commodity polymers will be coming on stream in late 1997 and 1998 and some weakening in prices is expected for these products. In times of cyclical overcapacity for the petrochemical and plastics industry, specialty products such as those produced by the Company can be expected to have more stable pricing and higher margins than may be experienced by commodity producers.

In 1997, the Company expects substantial growth in the Polymers business from the new Flexet™ pipe compounds and continuing growth in the Films & Packaging business as new capacity comes on stream during the year. Selling prices for commodity resins purchased to manufacture products in the Films & Packaging business are not expected to escalate rapidly as they did in 1996. Any higher resin costs are expected to be passed through on a timely basis. However, sales of specialty copolymers will be constrained until new capacity comes on stream in 1998 and the higher costs incurred in 1996 for external compounding and the buildup of resources ahead of the expansion projects starting up will continue to impact short term profitability.

The foregoing is based on current expectations outlined above. Actual results may differ materially.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of AT Plastics Inc. and financial information in the annual report are the responsibility of management.

The financial statements have been prepared by management in accordance with generally accepted accounting principles, with the most significant set out in Note 1 to the financial statements. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis to ensure that financial information is presented fairly in all material respects.

The accounting procedures and related systems of internal control are designed to provide reasonable assurance that the assets are safeguarded and financial records are reliable.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements, on the recommendation of the Audit Committee. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The Audit Committee is appointed by the Board and all its members are non-executive directors.

The consolidated financial statements have been audited by Deloitte & Touche and their report is presented below.

J.G. Clarke

J.G. (GEOFF) CLARKE
President and Chief Executive Officer

J.B. Donaghy

JAMES B. DONAGHY
Vice President, Finance and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of AT Plastics Inc.

We have audited the consolidated balance sheets of AT Plastics Inc. as at December 31, 1996 and 1995 and the consolidated statements of operations and retained earnings and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1996 and 1995 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants, North York, Ontario

February 6, 1997

CONSOLIDATED BALANCE SHEETS

December 31, 1996 and 1995
(thousands of dollars)

	1996	1995
ASSETS		
Current		
Cash and short-term investments	$ 15,226	$ 7,861
Accounts receivable	29,608	24,617
Inventory (Note 2)	41,115	35,348
Prepaids	1,320	1,133
	87,269	68,959
Fixed (Note 3)	173,351	151,835
Other (Note 4)	12,766	10,879
	$ 273,386	$ 231,673
LIABILITIES		
Current		
Accounts payable	$ 25,045	$ 21,918
Current portion of long-term debt (Note 5)	6,849	6,754
	31,894	28,672
Long-Term Debt (Note 5)	83,957	90,579
Other Liabilities (Note 6)	631	1,190
Deferred Income Taxes	9,999	3,597
Preferred Shares (Note 7)	–	3,000
	126,481	127,038
SHAREHOLDERS' EQUITY		
Capital Stock (Note 7)	128,404	97,667
Retained Earnings	18,501	6,968
	146,905	104,635
	$ 273,386	$ 231,673

Approved by the Board

J.P. Clarke
Director

John Abell
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

For the years ended December 31, 1996 and 1995
(thousands of dollars, except per share amounts)

	1996	1995
Sales	$ 210,941	$ 204,758
Cost of Sales and Other Expenses	171,466	154,395
Income Before the Undernoted Items	39,475	50,363
Less		
Interest on long-term debt	9,447	9,945
Depreciation and amortization	9,732	11,477
Other interest income	(1,367)	(389)
Other (income) expense	(757)	357
	17,055	21,390
Income Before Income Taxes	22,420	28,973
Income Taxes (Note 8)		
Current	1,016	1,092
Deferred	7,242	3,597
	8,258	4,689
Net Income for the Year	14,162	24,284
Retained Earnings (Deficit) at Beginning of Year	6,968	(15,036)
Dividends	(2,629)	(2,280)
Retained Earnings at End of Year	$ 18,501	$ 6,968
Net Income Per Share (Note 9)	$ 0.98	$ 1.92

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the years ended December 31, 1996 and 1995
(thousands of dollars)

	1996	1995
CASH FROM (USED IN)		
Operations		
Net income for the year	**$ 14,162**	$ 24,284
Add items charged to income not affecting cash		
Depreciation and amortization	**9,732**	11,477
Deferred income taxes	**7,242**	3,597
Amortization of exchange on long-term debt	**382**	295
Gain on redemption of preferred shares	**(817)**	–
Cash flow before change in working capital and other liabilities	**30,701**	39,653
Change in non-cash working capital and other liabilities	**(8,377)**	(11,407)
	22,324	28,246
Financing Activities		
Long-term debt repaid	**(6,782)**	(5,503)
Common shares issued	**29,897**	–
Preferred shares redeemed	**(2,183)**	–
	20,932	(5,503)
Dividends Paid	**(2,629)**	(2,280)
Investing Activities		
Purchase of fixed assets	**(31,174)**	(12,037)
Change in other assets	**(2,088)**	(1,922)
	(33,262)	(13,959)
Increase in Cash During Year	**7,365**	6,504
Cash and Short-Term Investments at Beginning of Year	**7,861**	1,357
Cash and Short-Term Investments at End of Year	**$ 15,226**	$ 7,861

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

Inventory

Inventory is valued at the lower of average cost and net realizable value. Work in progress and manufactured goods include the cost of raw materials, variable labour and manufacturing overheads.

Fixed assets

Fixed assets are recorded at cost. The Company reviews the useful lives of assets on a regular basis. Depreciation is provided over the following expected asset lives on a straight-line basis:

Buildings	15 - 25 years
Plant equipment	12 - 18 years
Computers, furniture and office equipment	2 - 5 years
Assets under construction - in operation	12 - 18 years

Depreciation is not provided on assets under construction which are not in operation.

The Company capitalizes interest on major assets under construction which are not in operation.

Pension costs and obligations

The Company maintains non-contributory defined benefit pension plans which cover substantially all of its employees. The plans provide pensions based on length of service and the best three years' average earnings.

According to actuarial reports, which are based on projections of employees' compensation levels to the time of retirement, the present value of the accrued pension benefits and the net assets available to provide for these benefits, at market value, as of December 31 are as follows:

(thousands of dollars)	**1996**	1995
Accrued pension benefits	**$ 30,313**	$ 26,127
Pension fund assets	**$ 34,416**	$ 32,059

The Company also has a voluntary money purchase retirement savings plan.

The Company's pension expense under these plans is $746,000 (1995 - $484,000). The difference between the amount expensed and the funding contributions has been reflected in the balance sheet in other assets.

The Company's registered pension plans had no unfunded actuarial liability as at December 31, 1995 based on the most recent estimate provided by the Company's actuaries.

Development costs

Product development costs are deferred and amortized on a straight-line basis over a maximum period of five years commencing when full commercial production is achieved.

Goodwill

Goodwill represents the excess of the purchase price over the assigned values of assets acquired. Goodwill is amortized on a straight-line basis over 15 years. The balance is reviewed on an annual basis and in the event of a permanent impairment to goodwill, such as a material change in the business practices or significant operating losses, the Company will record a reduction in the unamortized portion of goodwill.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. INVENTORY

(thousands of dollars)	**1996**	1995
Raw materials	**$ 11,179**	$ 7,602
Work in progress	**4,476**	5,354
Finished goods	**25,460**	22,392
	$ 41,115	$ 35,348

3. FIXED ASSETS

		1996	
(thousands of dollars)	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Land	**$ 10,235**	**$ –**	**$ 10,235**
Buildings	**30,363**	**11,136**	**19,227**
Equipment	**177,910**	**73,731**	**104,179**
Construction in progress	**39,921**	**211**	**39,710**
	$ 258,429	**$ 85,078**	**$ 173,351**

		1995	
(thousands of dollars)	Cost	Accumulated Depreciation	Net Book Value
Land	$ 10,075	$ –	$ 10,075
Buildings	29,282	10,054	19,228
Equipment	172,461	65,803	106,658
Construction in progress	16,043	169	15,874
	$ 227,861	$ 76,026	$ 151,835

During the year, interest on construction in progress in the amount of $343,000 (1995 - nil) was capitalized.

4. OTHER ASSETS

(thousands of dollars)	Cost	1996 Accumulated Amortization	Net Book Value
Deferred pension costs	$ 3,878	$ –	$ 3,878
Development costs	6,467	1,055	5,412
Deferred exchange	2,539	859	1,680
Goodwill	1,109	148	961
Investment tax credits recoverable	835	–	835
	$14,828	$ 2,062	$ 12,766

(thousands of dollars)	Cost	1995 Accumulated Amortization	Net Book Value
Deferred pension costs	$ 3,851	$ –	$ 3,851
Development costs	4,345	620	3,725
Deferred exchange	2,454	647	1,807
Goodwill	1,109	74	1,035
Investment tax credits recoverable	461	–	461
	$12,220	$ 1,341	$ 10,879

5. LONG-TERM DEBT

The Company has the following long-term debt outstanding as of December 31:

(thousands of dollars)	Interest rate %	Maturity date	1996	1995
Senior secured notes ($U.S.)	9.95	Dec. 30, 2003	$ 86,897	$ 92,022
Senior secured note ($Cdn)	10.293	Dec. 30, 2003	3,600	3,823
Obligation under capital leases	See below	Dec. 1998	309	498
WED loan	See below	June 30, 1996	–	990
			90,806	97,333
Less current portion			6,849	6,754
			$ 83,957	$ 90,579

The senior secured notes ($U.S.) are denominated in U.S. dollars ($63,540,000) and translated into Canadian dollars at the balance sheet date exchange rate.

The obligation for computer equipment under capital leases included in fixed assets is net of interest imputed at 8%. The computer equipment has a cost of $2,217,000 (1995 - $2,217,000) and accumulated depreciation of $2,217,000 (1995 - $1,768,000).

The WED loan is an interest free loan advanced by Western Economic Diversification Fund. The balance was fully repaid in 1996.

Repayment provisions

The required principal repayments are as follows (based on the $U.S. exchange rate as at December 31, 1996):

(thousands of dollars)		
1997	$	6,849
1998		7,980
1999		11,182
2000		12,287
2001		13,414
Thereafter		39,094
	$	90,806

Security

The senior secured notes are secured by a first fixed and floating charge on the assets of the Company and the assignment of proceeds from insurance claims, subject only to the prior claims of the operating line of credit lenders on accounts receivable and inventories.

6. OTHER LIABILITIES

Other liabilities represents the estimated costs of environmental clean-up.

7. CAPITAL STOCK AND PREFERRED SHARES

Authorized

Unlimited Class I and II preferred shares

Unlimited Common shares

Issued and fully paid

	1996		1995	
(thousands except number of shares)	Number of shares	Amount	Number of shares	Amount
Common shares	15,293,416	$ 128,404	12,668,416	$ 97,667

During the year, the Company issued 2,625,000 common shares for net proceeds of $29,897,000. The Company has recorded a tax benefit to capital stock of $840,000 relating to the expenses for the offering.

As of December 31, 1996, options to purchase 442,737 (1995 - 316,673) common shares at exercise prices between $9.00 and $13.95 were outstanding. These options are exercisable over time and expire between January 2004 and May 2006.

	1996		1995	
(thousands except number of shares)	**Number of shares**	**Amount**	Number of shares	Amount
Series 2 Class II non-voting preferred shares, convertible, redeemable and retractable	–	$ –	3,000	$ 3,000

During the year, the Company redeemed the preferred shares for $1,800,000 and the assumption of certain environmental liabilities.

8. INCOME TAXES

(thousands of dollars)	**1996**	1995
Income before income taxes	**$ 22,420**	$ 28,973
Income taxes at statutory income tax rates	**$ 10,010**	$ 12,922
Benefits of losses	–	(7,713)
Manufacturing and processing deduction	**(1,550)**	(807)
Large corporations tax	**404**	388
Other	**(606)**	(101)
	$ 8,258	$ 4,689

The Company has approximately $9,800,000 in non-capital losses for federal income tax purposes available to reduce future years' taxable income. These losses expire by 2000. The Company also has available to reduce future years' taxable income, unclaimed scientific research and experimental development expenditures of approximately $5,045,000, which can be carried forward indefinitely. The benefit of these losses and unclaimed expenditures has been recognized in these financial statements.

The undepreciated capital cost balance of fixed assets for income tax purposes is approximately $81,529,000 at December 31, 1996.

9. NET INCOME PER SHARE

Net income per share has been calculated on the basis of income divided by the weighted average number of common shares outstanding. The weighted average number of shares for 1996 is 14,424,564 (1995 -12,668,416).

10. FINANCIAL INSTRUMENTS

Off-balance sheet financial instruments

The Company enters into forward exchange contracts, in U.S. dollars, to hedge its sales. The Company believes that its exposure to credit, liquidity and cash flow risks for the contracts is minimal.

As the current replacement value of these outstanding financial instruments is not carried on the consolidated balance sheets, unrealized gains or losses are not recognized on changes in current replacement values.

Further information on outstanding financial instruments is as follows:

(thousands of dollars)	Notional Amounts Maturing in		**1996**	1995
	Less than 1 year	1 to 3 years	**Total**	Total
Forward exchange contracts	$59,500	$93,500	**$153,000**	$ 80,000

(thousands of dollars)	Current Credit Exposure **1996**	1995
Forward exchange contracts	**$ 3,660**	$ 1,450

Current credit exposure is limited to the amount of the loss that would be incurred if all of the Company's counterparties were to default at the same time. The exposure shown above is the current replacement value of only those contracts which are in a gain position.

Fair value of financial instruments

The estimated fair values of financial instruments as at December 31, 1996 and 1995 are based on relevant market prices and information available at the time. The fair values are not necessarily indicative of the amounts that the Company might receive or incur in actual market transactions. As a significant number of the Company's assets and liabilities, including inventory and fixed assets, do not meet the definition of financial instruments, the fair value estimates below do not reflect the fair value of the Company as a whole.

(thousands of dollars)	1996		1995	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Assets for which fair value approximates carrying value	**$ 44,834**	**$ 44,834**	$ 32,478	$ 32,478
Off-balance sheet financial instruments	**$ –**	**$ 3,400**	$ –	$ 970
Financial liabilities				
Liabilities for which fair value approximates book value	**$ 25,045**	**$ 25,045**	$ 21,918	$ 21,918
Long-term debt	**$ 91,128**	**$ 89,030**	$ 98,025	$ 96,630
Preferred shares	**$ –**	**$ –**	$ 3,000	$ 2,080

Cash and short-term investments, accounts receivable and accounts payable are all short-term in nature and as such, their carrying values approximate fair value.

The fair value of long-term debt (excluding capital leases) was estimated based on discounted cash flows, using current market interest rates and the Company's credit rating at time of issuance of the original debt.

Off balance sheet financial instruments include forward exchange contracts. The foreign exchange instruments were valued based on the differential between contract rates and year end forward rates.

Concentration of credit risk

Accounts receivable are from customers widely dispersed primarily in North America. Significant individual customers comprise generally less than 5% of the outstanding balance at any time during the year.

11. COMMITMENTS

Operating leases

Under the terms of operating leases, the Company is committed to rental payments until expiry of leases as follows:

(thousands of dollars)	
1997	$ 2,099
1998	1,830
1999	1,202
2000	913
2001	304
Thereafter	874

Purchases

The Company has agreed to purchase 70,290 tonnes of ethylene per year until the end of 1998, under a cost of service, take or pay contract. The Company has entered into a new 15 year cost of manufacture-related ethylene supply contract commencing in 1999 for approximately 125,000 tonnes per year under a limited take or pay arrangement.

Fixed assets

The Company has issued purchase orders totalling $15,735,000 at December 31, 1996 in connection with various expansion projects.

12. SEGMENTED INFORMATION

Segmented industry information is not provided as the Company is considered to operate in one industry. Export sales were as follows:

(thousands of dollars)	**1996**	1995
United States	**$ 129,383**	$ 122,742
Other	**24,182**	16,203
	$ 153,565	$ 138,945

13. COMPARATIVE FIGURES

Certain of the comparative figures have been restated to conform with the current year financial statement presentation.

14. RECONCILIATION OF CANADIAN GAAP TO U.S. GAAP

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("CDN GAAP"), which conform in all material respects with United States generally accepted accounting principles (U.S. GAAP), except as described below:

A. i) The Company has forward exchange contracts to sell U.S. dollars at varying rates, which are accounted for as hedges under CDN GAAP. Under U.S. GAAP, these contracts are not considered hedges, and gains and losses are determined at the reporting date and recorded in net income for the year.

ii) Under CDN GAAP, unrealized translation gains and losses at the reporting date on long-term debt denominated in a foreign currency are deferred and amortized over the term of the debt. Under U.S. GAAP, these gains and losses are recorded in net income for the year.

B. The Company expenses the cost of post-retirement benefits as incurred. For U.S. GAAP purposes, the Company is considered to have adopted Financial Accounting Standards Board statement 106, covering post-retirement benefits other than pensions, from December 15, 1992. The effect of this is to recognize the accrued liability and current service costs earlier.

C. Certain costs for product development which satisfy specified criteria for recoverability are deferred and amortized. Under U.S. GAAP, these costs, including fixed assets used only for product development, are expensed as incurred.

D. The Company uses the deferral method of accounting for income taxes. For U.S. GAAP purposes, the Company is considered to have adopted Financial Accounting Standards Board statement 109, covering income taxes, from December 15, 1992. The effect of this is to recognize the benefits of losses and timing differences earlier.

E. The following disclosures are applicable under U.S. GAAP. The Company reviews the useful lives of operating assets on a regular basis. The result of these reviews decreased the depreciation expense for 1996 by $2,704,000 (1995 - $1,679,000). The Company paid income taxes of $1,730,000 (1995 - $1,187,000) and interest of $9,479,000 (1995 - $9,945,000). The allowance for doubtful accounts is $733,000 (1995 - $537,000).

disclosure items —

F. Under U.S. GAAP, dividends are considered a financing activity on the statement of changes in financial position.

G. Under U.S. GAAP, the gain on settlement of preferred shares is considered an extraordinary item.

The following table reconciles net income for the year as reported in the consolidated statements of operations to what would have been reported had the financial statements been prepared in accordance with U.S. GAAP as described above.

(thousands of Canadian dollars, except per share amounts)	**1996**	1995
Net income for the year (CDN GAAP)	**$ 14,162**	$ 24,284
Adjustments		
Foreign currency	**2,559**	4,117
Post-retirement benefits	**(474)**	(415)
Development costs	**(1,657)**	(1,354)
Gain on settlement of preferred shares	**(817)**	–
Deferred income taxes	**(158)**	(7,200)
	(547)	(4,852)
Net income before extraordinary item in conformity with U.S. GAAP	**13,615**	19,432
Extraordinary item in conformity with U.S. GAAP	**817**	–
Net income in conformity with U.S. GAAP	**$ 14,432**	$ 19,432
Net income per common share before extraordinary item		
Primary	**$ 0.94**	$ 1.53
Net income per common share		
Primary	**$ 0.99**	$ 1.53

Primary earnings per common share are determined using the weighted average number of shares outstanding during the year, adjusted to reflect the application of the treasury stock method for outstanding options in accordance with U.S. GAAP.

The following table indicates the items in the consolidated balance sheets that would be affected had the financial statements been prepared in accordance with U.S. GAAP as described above. The revised amounts would be as follows:

i.e., other items are not diff.

(thousands of Canadian dollars)		1996	1995
ASSETS			
Other current assets	developmt costs	$ 3,400	$ 968
Fixed assets		172,953	151,407
Other assets		6,010	5,683
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable		$ 12,639	$ 6,915
Accrued liabilities	FAS 106.	16,942	19,065
Deferred income taxes	FAS 109	6,931	371
Retained earnings		13,279	1,476

In addition, the opening deficit at January 1, 1995 would have been $15,676,000 under U.S. GAAP compared to $15,036,000 under CDN GAAP.

A description of certain of the Company's governance practices pursuant to the requirements of The Toronto Stock Exchange is summarized in this statement of corporate governance practices. The described practices are of long standing and pre-date the Exchange's disclosure requirements.

General Authority and Duty of the Board

The Company's eight member Board has the authority and duty to supervise the management of the Company's business and affairs.

Establishment and Implementation of Corporate Objectives

Management has primary responsibility for establishing objectives for the Company. The objectives are designed to exploit opportunities available to the Company and to diminish the risks to which its business is subject so as to enhance returns to shareholders. Management regularly reviews the objectives to ensure that they are in keeping with the state of the Company's development and the markets in which it operates. Management reviews and revises the objectives with the Board which considers and approves them and monitors progress towards their achievement. The current objectives are set out on the inside front cover of this report.

In pursuit of these objectives, management prepares an annual business plan and a three-year financial forecast which includes annual operating and capital budgets. The business plan and forecast are reviewed and approved by the Board prior to the commencement of each year. The approval of the business plan and budget establish the authority of senior management to take the actions indicated in the Plan and their responsibility for implementation. Monthly reports are distributed to the Board, and at quarterly directors' meetings, management reviews with the Board the progress of the Company in meeting the plan and budget and financial reports for release to the public.

The Audit Committee

The Board recognizes the importance of maintaining effective internal financial and other controls, sound management information systems and timely consistent financial reporting. The Board has delegated the oversight of management's performance of these functions to a three member Audit Committee, all of whom are independent and who are selected for their ability and experience with these functions.

The Committee meets at least three times annually with the Company's auditors to review their annual planning for the audit of the Company's accounts, to monitor the progress of the audit and to review the auditors' report and recommendations. The Committee also approves all other financial information prepared by management for public release.

Human Resources and Compensation Committee

The Board regards the selection and compensation of senior management as an important element of meeting the Company's objectives. It has delegated this function to a four member Human Resources and Compensation Committee, consisting of three non–executive members and the Chief Executive Officer. The Committee, with the assistance of independent consultants, considers compensation for senior management which is designed to reward effort, reflect the Company performance in relation to current objectives and be consistent with market rates of compensation. The Committee also meets annually with the Chief Executive Officer to review with him the corporate objectives and the management functions for which he is personally responsible and has the opportunity to discuss the performance and compensation of the CEO in his absence.

Board Composition and Independence

To the Board's knowledge no person holds more than 15% of the Company's issued common shares. The Board believes that a small board functions most effectively and that it is appropriate that up to three of its eight members be from senior management.

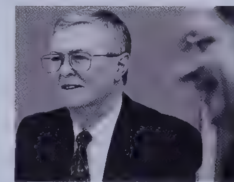
As vacancies arise on the Board, the Board considers appropriate candidates having regard for such factors as their availability to dedicate required time to Board and Committee activities, their experience as directors of reporting issuers, the expertise they bring to the Company's activities, their independence of mind and their ability to effectively serve shareholder interests. Proposed candidates are provided with sufficient information, including these policies and practices, to enable them to make an informed decision as to whether they are willing and able to accept the associated responsibilities. The Board seeks to establish director compensation for serving on the Board and Committees in keeping with comparable companies.

The Board has sought to ensure that a majority of its members are independent of management and free from relationships which could reasonably be regarded as materially interfering with the directors' ability to act independently. Adherence to the foregoing policies maintains the independence of the Board from management.

Given the small size of the Board, the selection process and the foregoing policies, the Board does not regard the establishment of separate governance or nominating committees or a director education program or position description or a formal procedure for enabling individual directors to engage outside advisors at Company expense as meaningful. These activities are the responsibility of the full Board.

DIRECTORS & OFFICERS






DIRECTORS

Top row from left to right

John P. Clarke
President,
Emral Enterprises Ltd.
Roxboro, Québec.
Director since 1994.
Member of the Audit Committee.

Allan E. Scott
President and
Chief Operating Officer
TELUS Communications,
Edmonton, Alberta.
Director since 1996.

H. Gordon Pearce
President,
Pearce Consulting
Services Ltd., Calgary, Alberta.
Director since 1994.
Member of the Audit Committee.

James B. Donaghy
Vice President, Finance,
Chief Financial Officer
and Corporate Secretary
AT Plastics Inc.
Director since 1991.

Bottom row from left to right

Z. Sam Ruttonsha
Vice President,
Royal Bank Capital
Corporation, North York,
Ontario.
Director since 1991.
Member of the Human Resources and Compensation Committee.

John N. Abell
Corporate Director
Wiltshire, England.
Director since 1993.
Member of the Audit and Human Resources and Compensation Committees.

J.G. (Geoff) Clarke
President and
Chief Executive Officer
AT Plastics Inc.
Director since 1989.

I. Alan Litvak Ph.D
Professor of Business and
Public Policy,
Schulich School of Business,
York University, Toronto,
Ontario. Director since 1995.
Member of Human Resources and Compensation Committee.

OFFICERS

J. G. (Geoff) Clarke
President and
Chief Executive Officer

John Beaton
Vice President,
Research and Technology

V. Peter Johnson
Vice President,
Human Resources

James B. Donaghy
Vice President, Finance,
Chief Financial Officer
and Corporate Secretary

Glen D. Herring
Vice President and
General Manager,
Polymers

Azizul (Sam) Hasan
Vice President and
General Manager, Films

William Connelly
Vice President and
General Manager,
Packaging

FINANCIAL SUMMARY

5 YEAR FINANCIAL SUMMARY

(millions of dollars except per share amounts)	1992	1993	1994	1995	1996
Sales	156.1	157.5	184.6	204.8	**210.9**
Net Income (Loss)	(5.8)	(7.7)	15.0	24.3	**14.2**
Net Income per share – ($) reported	–	–	1.29	1.92	**0.98**
Net Income per share – ($) fully taxed	–	–	0.85	1.41	**0.98**
Cash Flow per share ($)	–	–	1.98	3.13	**2.13**
Total Assets	214.6	206.9	217.6	231.7	**273.4**
Shareholders' Equity	4.7	(3.0)	82.6*	104.6*	**146.9**
Dividends per share ($)	–	–	0.135	0.18	**0.18**

* restated to be comparable to 1996 presentation

FISCAL 1996 QUARTERLY PERFORMANCE

(millions of dollars except per share amounts)	1st	2nd	3rd	4th
Sales	46.3	54.0	59.2	51.5
Net Income	2.5	4.7	3.9	3.0
Net Income per share – ($) reported	0.20	0.32	0.26	0.20
Net Income per share – ($) fully taxed	0.20	0.32	0.26	0.20
Cash Flow per share ($)	0.53	0.64	0.57	0.40

FISCAL 1995 QUARTERLY PERFORMANCE

(millions of dollars except per share amounts)	1st	2nd	3rd	4th
Sales	48.6	52.9	53.9	49.5
Net Income	6.5	8.1	6.7	3.1
Net Income per share – ($) reported	0.51	0.64	0.53	0.24
Net Income per share – ($) fully taxed	0.34	0.42	0.41	0.24
Cash Flow per share ($)	0.75	0.87	0.85	0.65

FISCAL 1996 COMMON SHARE PERFORMANCE

(dollars per share)

Quarter Ended	1st	2nd	3rd	4th
High	13.375	14.70	14.25	14.50
Low	11.50	11.25	13.05	12.25
Close	11.875	14.10	13.40	13.35

GLOSSARY

Barrier Film – Plastic film with good resistance to permeation of gases, oils or liquids.

Batch Incorporation – Process whereby the packaging is dispersed with its contents in manufacturing the customer's product.

Compound – A mechanical mixture of a polymer or copolymer with other additives such as anti-oxidants and U.V. stabilizers.

Copolymer – Polymer formed from two monomers.

Ethylene – Principal raw material (monomer) for polyethylene and for EVA and EVS copolymers.

EVA Copolymer (EVA) – Copolymer in which the primary monomer is ethylene and the secondary monomer is vinyl acetate.

EVS Copolymer (EVS) – Copolymer in which the primary monomer is ethylene and the secondary monomer is vinyl silane.

Film – A sheet of plastic usually less than 0.25 millimetres in thickness.

HDPE – High density polyethylene produced from ethylene in a low pressure process.

High EVA Copolymer – Refers to EVA copolymer with vinyl acetate content greater than 18% by weight.

Homopolymer – Polymer produced from a single monomer.

LDPE – Low density polyethylene; homopolymer produced from ethylene in a high pressure process.

LLDPE – Linear low density polyethylene; polymer of ethylene produced in a low pressure process with a lower density than HDPE.

Liner Grade – Multi-purpose commodity grade of polyethylene.

Low EVA Copolymer – Refers to EVA copolymer with vinyl acetate content between 5% and 8% by weight.

Medium EVA Copolymer – Refers to EVA copolymer with vinyl acetate content between 9% and 18% by weight.

Monomer – Chemical building block from which polymer is formed.

Oriented Film – A plastic film which has been mechanically stretched to enhance strength.

Polymerization – The chemical bonding of monomer molecules to form a polymer.

Polyethylene – Plastic formed from the polymerization of ethylene.

Polymer or Resin – A product made from the polymerization of monomers such as ethylene and vinyl acetate.

Thermoplastic – A plastic which will melt and can be reformed under the influence of heat.

Tree Retardant – This refers to the type of insulation breakdown which occurs over time and under voltage stress in the presence of moisture. Failure shows up as a tree-like appearance on the insulation, when viewed under a microscope.

Valve Sack – A sack with a built-in, self-closing valve opening for filling.

Vinyl Acetate (VA) – A monomer copolymerized with ethylene to produce EVA copolymers.

Vinyl Silane (VS) – A monomer copolymerized with ethylene to produce EVS copolymers.

SHAREHOLDER INFORMATION

Auditors
Deloitte & Touche

Legal Counsel
Aird & Berlis

Incorporated
1989

Banks
Royal Bank of Canada
National Bank of Canada

Investor Relations
James Donaghy
Vice President, Finance,
Chief Financial Officer
and Corporate Secretary

Stock Exchanges
The Toronto Stock Exchange
(Symbol ATP)
American Stock Exchange
(Symbol ATJ)

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Annual Meeting Notice
Thursday, May 1, 1997
11:30 a.m. The Ridout Room
The Board of Trade
First Canadian Place
77 Adelaide Street West
Toronto, Ontario
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Common Shares Outstanding
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